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U.S., Central American Nations to Sign Free Trade Agreement

Will Be Second Free Trade Pact Signed This Month

WASHINGTON – U.S. Trade Representative Robert B. Zoellick announced today that the U.S. – Central America Free Trade Agreement (CAFTA) will be signed on Friday, May 28, 2004, at the Organization of American States (OAS) in Washington, DC. Zoellick will sign on behalf of the United States and trade ministers from Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua will sign on behalf of their nations.

“CAFTA will promote U.S. exports to a large and important market, even as it supports continued openness and democracy in Central America,” said Zoellick. “The FTA will reinforce free-market reforms in the region and will also strengthen the rule of law and sustainable development. Signing CAFTA will fulfill a vision of expanded economic opportunity and trade put forward by President Bush, and will send an important message that the United States is strongly committed to free trade with our Central American neighbors.”

President Bush first announced his plan to negotiate an FTA with Central America in a speech at the OAS in January 2002. Following the passage of Trade Promotion Authority and the successful conclusion of a year-long negotiation, the President notified Congress on February 20, 2004 of his intent to enter into the CAFTA. Under the Trade Act of 2002, the earliest date the agreement could be signed is May 21, 2004.

The United States has finished negotiations with the Dominican Republic to include that nation in the CAFTA, but a period of Congressional consultation on that agreement required under the Trade Act has not yet concluded. A date for signing an agreement that includes the Dominican Republic will be announced when those consultations are complete. The Administration plans to submit a single legislative package to Congress that includes CAFTA and the Dominican Republic together. Representatives of the Dominican Republic have been invited to participate in the May 28 event as observers.

“We are enthusiastic about the opportunities CAFTA will create for our exporters, and we’re pleased with the broad support this agreement has received from manufacturers, farmers, ranchers, service firms, creative artists, and many others. I look forward to

signing this agreement only ten days after signing the Australia FTA. Around the world, in both developed and developing countries, America's drive for free trade is moving full speed ahead," said Zoellick.

The United States and Central America enjoy an increasingly productive trade partnership. U.S. exports to the region have grown 71 percent since 1996 and totaled \$10.9 billion in 2003. More than seventy percent of CAFTA imports already enter the United States duty free under the Caribbean Basin Initiative and Generalized System of Preference programs; CAFTA will provide reciprocal access for U.S. products and services. Including the Dominican Republic in CAFTA will create the second-largest U.S. export market in Latin America, behind only Mexico.

Background:

CAFTA negotiations began in January 2003 and took place in 9 general rounds of negotiations in San Salvador, El Salvador; San Jose, Costa Rica; Guatemala City, Guatemala; Tegucigalpa, Honduras; Managua, Nicaragua; and in the United States in Cincinnati, New Orleans, Houston, and Washington. Agreement with El Salvador, Guatemala, Honduras and Nicaragua was reached on December 17, 2003, and with Costa Rica on January 26, 2004. Negotiations to include the Dominican Republic in CAFTA began in January 2004 and concluded on March 15, 2004.

The U.S. has completed FTAs with eight countries - Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Australia and Morocco - over the past six months. New and pending FTA partners, taken together, would constitute America's third largest export market and the sixth largest economy in the world.

Last month the United States and Panama conducted their first round of free trade negotiations, and FTA negotiations with Colombia, Ecuador and Peru will begin next week. Negotiations are under way with Bahrain and with the five nations of the Southern African Customs Union (SACU), and negotiations with Thailand are expected to begin shortly.

The United States currently has FTAs with Israel, Canada and Mexico (NAFTA), Jordan, Chile and Singapore.

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